

STATE OF LOUISIANA

DEPARTMENT OF ENVIRONMENTAL QUALITY

IN THE MATTER OF:

SEMCRUDE, L.P.

AI # 31844

**PROCEEDINGS UNDER THE LOUISIANA
ENVIRONMENTAL QUALITY ACT
LA. R.S. 30:2001, ET SEQ.**

* **Settlement Tracking No.**
* **SA-AE-06-007**
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* **Enforcement Tracking No.**
* **AE-CN-04-0189**
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SETTLEMENT

The following Settlement is hereby agreed to between SemCrude, L.P. ("Respondent") and the Department of Environmental Quality ("DEQ" or "the Department"), under authority granted by the Louisiana Environmental Quality Act, La. R.S. 30:2001, et seq. ("the Act").

I

The Respondent is a partnership who owns and/or operates the following:

- (1) Crude Condensate Transfer Facility (Agency Interest No. 31844), a volatile organic liquid storage facility located at 810 Lowry Highway in Lake Arthur, Cameron Parish, Louisiana. The facility was issued Title V Permit Number 0560-00150-V0 on October 20, 1998, that expired on October 20, 2003. The Respondent, formerly known as Seminole Transportation and Gathering, Inc., purchased the facility from Dynegy Crude Gathering and Marketing, Inc. on April 1, 2000. This change of ownership separated the control of the facility from the contiguous major source, the Lowry Gas Processing Plant, currently owned and/or operated by Dynegy Midstream Services, Limited Partnership. As a result, the facility is considered a

minor source under LAC 33:III.502.A. The Respondent submitted an application for a minor source air permit that was received by the Department on April 26, 2004. The Department issued Air Permit No. 0560-00150-00 based on the 2004 application on July 6, 2005.

- (2) Grand Lake Tank Farm (Agency Interest Number 31811), an oil and gas production facility. The facility is located approximately three miles south of Lowry in Cameron Parish, Louisiana. The facility currently operates under Title V Permit Number 0560-00097-V0 issued on August 30, 2004.

IIA

On August 23, 2004, the Department issued to Respondent, a Consolidated Compliance Order & Notice of Potential Penalty, Enforcement No. AE-CN-04-0189, which was based upon the following findings of fact:

On or about January 15, 2004, an inspection of the Crude Condensate Transfer Facility was performed to determine the degree of compliance with the Act and the Air Quality Regulations.

While the Department's investigation is not yet complete, the following violations were noted during the course of the inspection:

At the time of the inspection, the facility was operating without an air permit. The Respondent's failure to submit a timely and complete permit application to the Office of Environmental Services, Permits Division in accordance with the procedures delineated in LAC 33:III Chapter 5 is a violation of LAC 33:III.501.C.1 and Section 2057(A)(2) of the Act. Additionally, the Respondent's failure to obtain permit application approval, pay the appropriate permit fee, and receive approval from the permitting authority prior to the construction, modification, and/or operation of a facility which ultimately may have resulted in an initiation or increase in emission of air contaminants is a violation of LAC 33:III.501.C.2 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

IIB

In the 2004 Title V Annual Compliance Certification, the Respondent notified the Department that Tank No. 904 (Emission Point No. 847-07) at the Grand Lake Tank Farm emitted 1.25 tons of volatile organic compounds (VOCs) above its 8.6 ton per year limit during the 2004 calendar year. The Respondent's failure to operate the facility in accordance with all terms and conditions of Title V Permit Number 0560-00097-V0 is a violation of LAC 33:III.501.C.4 and Sections 2057(A)(1) and 2057(A)(2) of the Act.

III

Respondent denies it committed any violations or that it is liable for any fines, forfeitures and/or penalties.

IV

Nonetheless, Respondent, without making any admission of liability under state or federal statute or regulation, agrees to pay, and the Department agrees to accept, a payment in the amount of THREE THOUSAND FIVE HUNDRED AND NO/100 DOLLARS (\$3,500.00), of which FOUR HUNDRED FORTY TWO AND 93/100 DOLLARS (\$442.93) represents DEQ's enforcement costs, in settlement of the claims set forth in this agreement. The total amount of money expended by Respondent on cash payments to DEQ as described above, shall be considered a civil penalty for tax purposes, as required by La. R.S. 30:2050.7(E)(1).

V

Respondent further agrees that the Department may consider the inspection report(s), the Consolidated Compliance Order & Notice of Potential Penalty and this Settlement for the purpose of determining compliance history in connection with any future enforcement or permitting action

by the Department against Respondent, and in any such action Respondent shall be estopped from objecting to the above-referenced documents being considered as proving the violations alleged herein for the sole purpose of determining Respondent's compliance history.

VI

This agreement shall be considered a final order of the secretary for all purposes, including, but not limited to, enforcement under La. R.S. 30:2025(G)(2), and Respondent hereby waives any right to administrative or judicial review of the terms of this agreement, except such review as may be required for interpretation of this agreement in any action by the Department to enforce this agreement.

VII

This settlement is being made in the interest of settling the state's claims and avoiding for both parties the expense and effort involved in litigation or an adjudicatory hearing. In agreeing to the compromise and settlement, the Department considered the factors for issuing civil penalties set forth in LSA- R. S. 30:2025(E) of the Act.

VIII

The Respondent has caused a public notice advertisement to be placed in the official journal of the parish governing authority in Cameron Parish, Louisiana. The advertisement, in form, wording, and size approved by the Department, announced the availability of this settlement for public view and comment and the opportunity for a public hearing. Respondent has submitted a proof-of-publication affidavit to the Department and, as of the date this Settlement is executed on behalf of the Department, more than forty-five (45) days have elapsed since publication of the notice.

IX

Payment is to be made within ten (10) days from notice of the Secretary's signature. If payment is not received within that time, this Agreement is voidable at the option of the Department. Payments are to be made by check, payable to the Department of Environmental Quality, and mailed or delivered to the attention of Darryl Serio, Office of Management and Finance, Financial Services Division, Department of Environmental Quality, Post Office Box 4303, Baton Rouge, Louisiana, 70821-4303. Each payment shall be accompanied by a completed Settlement Payment Form (Exhibit A).

X

In consideration of the above, any claims for penalties are hereby compromised and settled in accordance with the terms of this Settlement.

XI

Each undersigned representative of the parties certifies that he or she is fully authorized to execute this Settlement Agreement on behalf of his/her respective party, and to legally bind such party to its terms and conditions.

SEMCRUDE, L.P.

BY: Peter L. Schwierring
(Signature)

Peter L. Schwierring
(Printed or Typed)

TITLE: Vice President Operations

THUS DONE AND SIGNED in duplicate original before me this 20 day of
March, 20 06, at Cleveland County.



Sammie Perry
NOTARY PUBLIC (ID #06001606)
Sammie Perry
(Printed or Typed)

LOUISIANA DEPARTMENT OF
ENVIRONMENTAL QUALITY
Mike D. McDaniel, Ph.D., Secretary

BY: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary
Office of Environmental Compliance

THUS DONE AND SIGNED in duplicate original before me this 26th day of
May, 20 06, at Baton Rouge, Louisiana.

Carolyn O. Bryant
NOTARY PUBLIC (ID # 24983)
Carolyn O. Bryant
(Printed or Typed)

Approved: Harold Leggett
Harold Leggett, Ph.D., Assistant Secretary